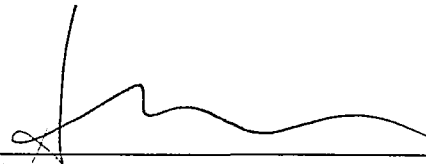


Approved:   
ALEX ROSSMILLER  
Assistant United States Attorney

Before: HONORABLE GABRIEL W. GORENSTEIN **17 MAG 3611**  
United States Magistrate Judge  
Southern District of New York

- - - - - x  
UNITED STATES OF AMERICA : SEALED COMPLAINT  
:   
- v. - : Violations of  
: 18 U.S.C. §§ 1341, 1344,  
JOHN FARCHIONE, and : 1346, 1349, 1028A, and 2  
LOUIS BENDEL, : COUNTY OF OFFENSE:  
: NEW YORK  
Defendants. :  
:   
- - - - - x

SOUTHERN DISTRICT OF NEW YORK, ss.:

MELISSA A. GALICIA, being duly sworn, deposes and says that she is a Special Agent with the Federal Bureau of Investigation (the "FBI"), and charges as follows:

COUNT ONE  
(Honest Services Mail Fraud)

1. From in or about 2005, up to and including in or about November 2016, in the Southern District of New York and elsewhere, JOHN FARCHIONE and LOUIS BENDEL, the defendants, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and to deprive a public utility company (the "Public Utility") of its intangible right to FARCHIONE's honest services, did place and cause to be placed in a post office and authorized depository for mail matter, matters and things to be sent and delivered by the Postal Service, and did deposit and cause to be deposited matters and things to be sent and delivered by private and commercial interstate carriers, and did take and receive and cause to be taken and received therefrom, such matters and things, and did cause to be delivered by mail and such carriers, according to the direction thereon, such matters and things, to wit, FARCHIONE and BENDEL participated in schemes to defraud the Public Utility and its customers, and thereby to deprive the Public Utility of FARCHIONE's honest services, by, among other things, FARCHIONE using his position as an employee of the Public Utility to

conceal the nature of the fraudulent checks submitted by BENDEL, as well as by causing the Public Utility to issue BENDEL and his associates unearned cash refunds, the proceeds of which were obtained by BENDEL, who provided monetary kickbacks to FARCHIONE in exchange for his assistance with the scheme.

(Title 18, United States Code, Sections 1341, 1346, and 2.)

COUNT TWO  
(Mail Fraud)

2. From in or about 2005, up to and including in or about November 2016, in the Southern District of New York and elsewhere, JOHN FARCHIONE and LOUIS BENDEL, the defendants, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, for the purpose of executing such scheme and artifice and attempting to do so, did place and cause to be placed in a post office and authorized depository for mail matter, matters and things to be sent and delivered by the Postal Service, and did deposit and cause to be deposited matters and things to be sent and delivered by private and commercial interstate carriers, and did take and receive and cause to be taken and received therefrom, such matters and things, and did cause to be delivered by mail and such carriers, according to the direction thereon, such matters and things, to wit, FARCHIONE and BENDEL participated in a scheme to defraud the Public Utility and its customers by, among other things, sending and causing to be sent through the mail false and fraudulent checks intending that those checks be deposited by the Public Utility, thereby (a) concealing the theft of customer cash stolen by FARCHIONE and BENDEL; and (b) causing the Public Utility to issue BENDEL and his associates unearned cash refunds, the proceeds of which were obtained and shared by FARCHIONE and BENDEL.

(Title 18, United States Code, Sections 1341 and 2.)

COUNT THREE  
(Bank Fraud)

3. From in or about 2005, up to and including in or about November 2016, in the Southern District of New York and elsewhere, JOHN FARCHIONE and LOUIS BENDEL, the defendants, did willfully and knowingly devise and intend to devise a scheme and artifice to defraud a financial institution, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, a financial

institution, by means of false or fraudulent pretenses, representations, or promises, to wit, FARCHIONE and BENDEL participated in a scheme to defraud the Public Utility and its customers in part by submitting and causing to be submitted false and fraudulent checks, which they knew would bounce, to a financial institution.

(Title 18, United States Code, Sections 1344 and 2.)

COUNT FOUR

(Conspiracy to Commit Honest Services Fraud,  
Mail Fraud and Bank Fraud)

4. From in or about 2005, up to and including in or about November 2016, in the Southern District of New York and elsewhere, JOHN FARCHIONE and LOUIS BENDEL, the defendants, and others known and unknown, willfully and knowingly did combine, conspire, confederate, and agree together and with each other, to commit honest services fraud, mail fraud, and bank fraud.

5. It was a part and an object of the conspiracy that JOHN FARCHIONE and LOUIS BENDEL, the defendants, and others known and unknown, having devised and intending to devise a scheme and artifice to defraud, and to deprive the Public Utility of its intangible right to FARCHIONE's honest services, did place and cause to be placed in a post office and authorized depository for mail matter, matters and things to be sent and delivered by the Postal Service, and did deposit and cause to be deposited matters and things to be sent and delivered by private and commercial interstate carriers, and did take and receive and cause to be taken and received therefrom, such matters and things, and did cause to be delivered by mail and such carriers, according to the direction thereon, such matters and things, in violation of Title 18, United States Code, Section 1341.

6. It was further a part and an object of the conspiracy that JOHN FARCHIONE and LOUIS BENDEL, the defendants, and others known and unknown, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, for the purpose of executing such scheme and artifice and attempting so to do, would and did place in a post office and authorized depository for mail matter, matters and things to be sent and delivered by the Postal Service, and would and did deposit and cause to be deposited matters and things to be sent and delivered by private and commercial interstate carriers, and would and did take and receive therefrom, such matters and things, and would and did cause to be delivered by mail and such carriers according to the

directions thereon, and at the places at which they were directed to be delivered by the person to whom they were addressed, such matters and things, in violation of Title 18, United States Code, Section 1341.

7. It was further a part and an object of the conspiracy that JOHN FARCHIONE and LOUIS BENDEL, the defendants, and others known and unknown, did willfully and knowingly devise and intend to devise a scheme and artifice to defraud a financial institution, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises, in violation of Title 18, United States Code, Section 1344.

(Title 18, United States Code, Section 1349.)

COUNT FIVE  
(Aggravated Identity Theft)

8. From in or about 2005, up to and including in or about November 2016, in the Southern District of New York and elsewhere, JOHN FARCHIONE and LOUIS BENDEL, the defendants, knowingly did transfer, possess, and use, without lawful authority, a means of identification of another person, during and in relation to a felony violation enumerated in Title 18, United States Code, Section 1028A(c), to wit, FARCHIONE and BENDEL used, transferred, and possessed the names and personal identifying information of other individuals in connection with the offenses charged in Counts One, Two, and Three of this Complaint.

(Title 18, United States Code, Sections 1028A(a)(1),  
1028A(b), and 2.)

The bases for my knowledge and for the foregoing charges are, in part, as follows:

9. I am a Special Agent with the FBI and I have been personally involved in the investigation of this matter. This affidavit is based upon my own observations, conversations with other law enforcement officers and others, and my examination of reports and records prepared by others. Because this affidavit is being submitted for the limited purpose of establishing probable cause, it does not include all the facts I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

## Overview

10. From my involvement in this investigation, I have learned of a scheme in which JOHN FARCHIONE and LOUIS BENDEL, the defendants, and others known and unknown, have stolen or attempted to steal and obtain through fraud more than \$3.8 million from the Public Utility and its customers. FARCHIONE, who was employed by the Public Utility as a Manager in Customer Operations during the relevant time period, devised and implemented the scheme, using his knowledge of the Public Utility's billing and payment processes. FARCHIONE carried out the scheme with BENDEL, who operated a business that aggregated payments from customers of the Public Utility for the purpose of passing such payments on to the Public Utility. FARCHIONE and BENDEL effected the fraud in part through conspiring to submit fraudulent checks and payments to the Public Utility, in amounts owed by customers who provided cash to BENDEL believing he would submit those payments to the Public Utility on their behalf. In truth and in fact, however, FARCHIONE and BENDEL kept the customer cash for themselves and submitted fraudulent checks to the Public Utility that purported to convey aggregated payments by multiple customers of the Public Utility. FARCHIONE, by virtue of his position as an employee of the Public Utility, was able to conceal the nature of the fraudulent checks, and thereby perpetuate the fraudulent scheme, through his knowledge of and access to the Public Utility's account payment system. Additionally, FARCHIONE and BENDEL conspired to create fraudulent monetary credits on certain customer accounts associated with BENDEL, causing the Public Utility to issue unearned account refunds, the proceeds of which were obtained and shared by FARCHIONE and BENDEL.

### The Public Utility's Billing Procedures

11. Based on my participation in this investigation, my review of records maintained by the Public Utility, my discussions with the Public Utility's officials and employees, and my conversations with other law enforcement officers, I have learned the following:

a. The Public Utility provides energy-related products and services to residential and business customers, including in New York City, and has its headquarters in Manhattan, New York. The Public Utility issues monthly bills to its customers.

b. Bills from the Public Utility are generated and issued through its electronic Customer Service System. A bill from the Public Utility includes a detachable payment slip

(the "Payment Slip"), for return with payment, containing certain account and customer information. The Payment Slip generally includes, among other things, customer name and address, account number, amount due, and a due date. On the bottom of the Payment Slip, a machine-readable coded scan line (the "Scan Line") denotes the account number, the amount of new monthly charges, and the total amount due on the account.

c. If a customer account has a positive balance, and the amount of the monthly bill is less than the amount of that balance, then the Payment Slip indicates that the total amount due is "None," no payment due date is listed, and the amount due of the Scan Line is depicted as all zeros.

d. When the Public Utility issues a bill to a customer, it records sales revenue and establishes a receivable on the customer account.

#### Making Payments to the Public Utility

12. Based on my participation in this investigation, my review of records maintained by the Public Utility, my discussions with the Public Utility's officials and employees, my review of bank records, and my conversations with other law enforcement officers, I have learned the following:

a. The Public Utility's customers may pay their bills through a variety of methods, including by check, electronic funds transfer from a bank account, or credit or debit card. Customers also may pay their Public Utility bills through third parties.

b. A customer of the Public Utility may choose to pay more or less than the amount due on a bill. If a customer pays less than the total amount due on an account, the remaining outstanding balance rolls over and is added to the following month's bill. If a customer pays more than the total amount due, a credit is established on the account in the amount of the excess payment. Accordingly, by paying more to the Public Utility than the amount due on a monthly bill, customers may accrue monetary credit on their accounts. Upon request, a customer with a credit on his or her account may obtain a refund check from the Public Utility up to the amount of the credit.

c. Customers who choose to pay the Public Utility indirectly through a third party may do so through an authorized agent at specified locations. Some customers of the Public Utility also pay bills through unaffiliated payment aggregators ("Aggregators"), who do not partner directly with

the Public Utility but who assist customers in making payments. Aggregators may make payments for individuals who, for example and among other reasons, do not have banking or checking accounts, lack access to credit card services, need help reading the bill, or otherwise prefer or require assistance in making their payments to the Public Utility.

d. An Aggregator may pay aggregated Public Utility bills electronically or by check. When paying by check, an Aggregator typically will mail multiple Payment Slips together with a single check, totaling the amount owed on all of the bundled Payment Slips. Alternatively, an Aggregator may enclose multiple checks together with multiple Payment Slips, and/or may enclose a list of account numbers and the amounts to be applied to those accounts, from the check or checks included, in lieu of Payment Slips.

e. Many Aggregators operate out of check-cashing centers, bodegas, and other locations that do not have contracts with the Public Utility to receive customer payments. Aggregators generally charge customers a small fee for the service of facilitating bill payments.

#### The Public Utility's Payment Processing

13. Based on my training and experience, my participation in this investigation, my review of records maintained by the Public Utility, my discussions with the Public Utility's officials and employees, and my conversations with other law enforcement officers, I have learned the following:

a. Payments mailed to the Public Utility by a customer or an Aggregator are transported to a payment-processing department ("Payment Processing").

i. At Payment Processing, the payment envelopes are sorted mechanically: a machine opens the envelopes, scans enclosed Payment Slips and the associated check(s), and endorses the check(s) for deposit. The check images then are sent electronically to the Public Utility's bank for deposit.

ii. Upon receiving an electronic check image, the bank credits the Public Utility's bank account for the amount of the check, in anticipation of the check clearing. The Customer Service System also posts the payment to the customer's account, and correspondingly submits a record of payment that results in an increase in cash, and reduction of receivables, on the Public Utility's ledger.

iii. As part of this processing of payment, a payment file is transmitted to the Public Utility's Customer Service System. The payment file details the individual customer account numbers and payment amounts from the submitted check(s). The physical Payment Slips and check(s) are retained for approximately two to three weeks before being destroyed.

b. Some payment checks to the Public Utility are not honored by the bank that receives the checks for deposit. When a check is not honored, also referred to as "bounced," the payment purported to be made by the check is not actually received by the Public Utility. A bank may decline to honor a check for a variety of reasons, including, but not limited to, if the paying account has insufficient funds.

i. When a check does not complete the check clearance process, and therefore is not honored, the bank automatically debits the value of that check from the Public Utility's bank account. This debit is necessary because the amount of a purported check payment has been, at this stage, already credited to the Public Utility's account. When a bank makes such a corrective debit, the Public Utility's accounting department creates a booking entry that reduces the balance in its cash account and increases the balance in a general ledger account that tracks receivable amounts associated with bounced checks.

ii. Copies of bounced checks are sent to the Public Utility's Payment Correction Group (the "PCG"). After a bank returns a check that has bounced, the payment previously applied to the customer's account normally should be reversed, thereby reestablishing the customer account receivable created when the bill originally was issued. Until June 2016, when the process became automated, the Public Utility could not automatically process the reversal of payments made by bounced checks; rather, a PCG employee would be responsible for manually reversing the credit to the relevant customer account within the Customer Service System.

iii. Beginning in approximately June 2016, the Public Utility began using software that automated the process of reversing account credits that initially had been made pursuant to the receipt of bounced checks (the "Automated System"). However, certain Public Utility employees had the ability to manually override the Automated System and re-credit customer accounts after the initial credits were electronically reversed.



THE DEFENDANTS' SCHEMES TO STEAL FROM THE PUBLIC UTILITY  
AND ITS CUSTOMERS

The Public Utility Customer Cash Theft and Fraud Scheme

Fraudulent Checks Submitted to the Public Utility

14. Based on my participation in this investigation, my interviews and review of notes of interviews of witnesses, my review of records maintained by the Public Utility, my discussions with the Public Utility's officials and employees, my review of bank records, and my conversations with other law enforcement officers, I have learned the following:

a. Beginning at least in or about 2005, LOUIS BENDEL, the defendant, operated a business, BMB Bills, a/k/a "BMB Stationary," a/k/a "B&B Bills," out of a storefront in Astoria, New York. In addition to offering other goods and services, BENDEL was an Aggregator, providing bill-paying services to customers.

b. The customers who used BENDEL's bill-paying services primarily resided in or around Astoria, New York. BENDEL would facilitate payments for, among other things, their phone, cable, and electric bills, typically charging approximately \$0.50 per bill paid. One of the entities to which BENDEL commonly paid aggregated bills was the Public Utility.

c. For payments to the Public Utility, the customers normally would provide BENDEL with their bill, which stated the amount owed. The customers then would give BENDEL cash for use in BENDEL's aggregation and payment of their bills.

d. BENDEL bundled his customers' Payment Slips for the Public Utility, typically aggregating approximately 40 to 60 bills per submission. With each set of bundled bills, BENDEL submitted one check that purported to cover part or all of the total amount listed on the aggregated Payment Slips.

e. BENDEL generally would purport to pay some or all of the amounts on each of the Payment Slips, submitting written amounts less than or equal to the amount due in the "amount enclosed" box of the Payment Slip. BENDEL also would manually edit certain Payment Slips, typically for accounts held by himself or his associates, to have credited to that account an amount exceeding what was actually owed on the bill.

i. For example, in or about July 2015, BENDEL mailed 23 Payment Slips to the Public Utility, enclosing

a single check purporting to pay for the 23 bills. That check, written against the account of a relative of an associate of BENDEL, was in the amount of \$9,998.31.

ii. From that total amount, \$4,044.31 was directed, in various sub-amounts, to 22 of the 23 bills aggregated with the purported payment. Those payments averaged approximately \$184 per account.

iii. One Payment Slip, for an account in the name of "Mr. Louis Bendel," had \$5,954 written in the "amount enclosed" box of the Payment Slip. As reflected on the Payment Slip, the amount due on the account at that time was \$0.00. Accordingly, a credit of \$5,954 was issued to that account.

f. Between in or about 2010 and in or about November 2016, BENDEL submitted more than 375 aggregation checks to the Public Utility, each of which purportedly covered numerous customer account payments. The amounts on these checks ranged from approximately \$4,900 to approximately \$12,000, with more than 75% of the checks ranging from between \$9,990.00 and \$9,999.99. Each of these checks (collectively, including all amounts, the "999 Checks") bounced.

g. In total, BENDEL submitted the 999 Checks from approximately 30 different accounts, including accounts under his own name, the names of at least two companies associated with BENDEL, and the names of approximately 13 of BENDEL's family members and associates.

h. At least two individuals ("CW-1" and "CW-2") whose names appeared on certain 999 Checks were interviewed by law enforcement officers. CW-1 and CW-2 both stated that they had pre-signed blank checks and provided those checks to BENDEL at his request. CW-1 and CW-2 further stated, upon being shown certain 999 Checks, that although the signatures were theirs, the other handwriting on the checks, including the monetary amounts, was not theirs.

i. As described in paragraph 13, when the 999 Checks were received by the Public Utility, the accounts included in the BENDEL aggregations would be credited in the first instance with the relevant written amounts on the Payment Slips. However, none of the accounts against which the 999 Checks were written had sufficient funds to cover the amounts; accordingly, the Public Utility's bank did not honor any of the 999 Checks.

j. Because the 999 Checks all bounced, none of the money provided to BENDEL by his customers for their Public Utility bills was actually paid to the Public Utility.

15. From my review of records maintained by the Public Utility, I have learned that the sum total of the bounced 999 Checks submitted and caused to be submitted by LOUIS BENDEL, the defendant, to the Public Utility between in or about 2010 and in or about 2016, the time period for which records currently are available, was more than \$3.8 million.

Fraudulent Payments Received and Processed by the Public Utility

16. Based on my participation in this investigation, my review of records maintained by the Public Utility, my discussions with the Public Utility's officials and employees, my review of records, and my conversations with other law enforcement officers, I have learned the following:

a. JOHN FARCHIONE, the defendant, worked at the Public Utility between in or about 1972 and 2016. Most recently, FARCHIONE was a Manager in Customer Operations, with responsibility for supervising the entire Payment Correction Group of the Public Utility in Brooklyn, New York. As described above, the PCG is the division responsible for processing bounced checks; specifically, during the relevant time period, the PCG determined which customer accounts should be debited, and in what amounts, when payment checks were not honored by the bank.

b. When a bounced check was referred by the bank to the Public Utility, employees in the PCG were able to review the customer account information that the check purported to cover. Up until approximately June 2016, Public Utility employees in the PCG were then responsible for manually debiting those customers' accounts for nonpayment.

c. According to statements made by PCG employees in interviews with law enforcement officers and Public Utility investigators, with respect to aggregated payments submitted by LOUIS BENDEL, the defendant, it was an informal rule within the PCG that when the bounced 999 Checks were received by the PCG for processing, they should be given to FARCHIONE, who advised the other PCG employees that he would handle the 999 Checks himself. However, the 999 Checks were never manually processed by FARCHIONE or anyone else in the PCG.

d. Instead, when FARCHIONE received the 999 Checks, he failed to appropriately take action on them, and held

nearly all the 999 Checks in a "pending" file. As a result, the payments previously credited to those customers, based on the bounced 999 Checks, remained erroneously credited on their accounts. The customers on whose behalf BENDEL purported to pay the Public Utility, including BENDEL himself and his associates, therefore were wrongly credited for millions of dollars of payments for energy services when in fact the Public Utility received no payment for those services.

e. As previously described, in or about June 2016, the Public Utility began using the Automated System to automatically debit customer accounts when payment checks bounced. Following the implementation of the Automated System, an employee in the PCG only manually debited an account due to a bounced check if the Automated System was unable to process the debit. As a result, because the Automated System was automatically debiting payments made pursuant to bounced checks, including those included in the 999 Checks, FARCHIONE became unable to prevent the debiting of BENDEL-aggregated accounts simply by failing to act on the 999 Checks when they were delivered to the PCG.

f. Nevertheless, BENDEL continued to send the 999 Checks to the Public Utility even after the Automated System was established. For the 999 Checks received after June 2016, the Public Utility credited the associated customer accounts upon its receipt of the check, but the Automated System automatically reversed those credits when the checks bounced. Following that reversal, however, certain BENDEL-aggregated customer accounts that had been automatically debited by the Automated System due to nonpayment were manually re-credited by an employee in the PCG. There were more than approximately 1,000 such manual re-credits. The Public Utility has not been able to identify any actual payments received from BENDEL-aggregated customers in those instances of manual re-crediting. As a result of the manual re-crediting, it continued to falsely appear in the Public Utility's systems that the BENDEL-aggregated customer accounts were being paid.

### The Public Utility Refund Fraud Scheme

17. Based on my participation in this investigation, my interviews and review of notes of interviews of witnesses, my review of records maintained by the Public Utility, my discussions with officials and employees of the Public Utility, my review of records, and my conversations with other law enforcement officers, I have learned the following:

a. During the commission of the fraudulent scheme described above, in or about 2014, JOHN FARCHIONE and LOUIS BENDEL, the defendants, continued and escalated elements of their existing fraudulent conduct to cause the Public Utility to issue unearned cash refunds to BENDEL and his associates. These refunds were facilitated in part by FARCHIONE through his employment with the Public Utility, and BENDEL kicked back to FARCHIONE a portion of the proceeds of the illicit refunds.

b. As described above, the 999 Checks often included payments to accounts in the name of BENDEL or his businesses, family members, or associates. Many of those payments--all of which were fraudulent and resulted in bounced checks--were well in excess of the amounts owed on those accounts. As a result, those accounts accrued monetary credits in the tens of thousands of dollars. As described, those accruals were based on the 999 Checks that bounced, but which the PCG never debited to correct the unearned credits on the relevant accounts.

c. When an account has a surplus credit, the Public Utility will issue a refund check, upon request by a customer, up to the amount of the account credit total.

d. Between in or about 2014 and 2016, BENDEL and his associates received approximately 11 refund checks (the "Refund Checks") from the Public Utility, totaling approximately \$113,993.72. Four of the Refund Checks were issued to BENDEL or his business, totaling approximately \$45,496. Three of the Refund Checks were issued to an individual believed to be a relative of BENDEL ("Relative-1"), totaling approximately \$29,439.42. The remaining four Refund Checks were issued to an individual believed to be another relative of BENDEL ("Relative-2"), totaling approximately \$39,057.48. Bank records further reflect that Relative-2 subsequently wrote three checks to BENDEL, totaling \$28,417, including one check with a notation stating the name of the Public Utility in the memo line.

e. Records maintained by the Public Utility reflect that several of the Refund Checks were specifically authorized by FARCHIONE or one of his subordinates; additionally, FARCHIONE initiated the internal Public Utility processing of multiple Refund Checks.

i. For example, according to electronic written records maintained by the Public Utility, on or about January 13, 2016, FARCHIONE informed a customer service employee of the Public Utility that the son of the account-holder associated with BENDEL's account number had purportedly called the Public Utility and stated to FARCHIONE that the account-holder was "elderly and confused" and had paid "large amounts of money" to his account "without realizing." The Public Utility's records reflect that FARCHIONE further advised that the son was "requesting a refund check to be sent back to the account holder [ . . . ]".

ii. As a result, on or about January 13, 2016, the Public Utility issued a check to BENDEL in the amount of his then-existing account credit balance of \$9,774.63. That check was issued to "MR LOUIS BENDEL" and, according to bank records, was deposited in the name of "BMB Bills Inc."

iii. The Public Utility has been unable to locate any record of a call having been made to the Public Utility's customer service department by a customer associated with this account.

#### FARCHIONE Interview

18. Based on my participation in this investigation, my review of records maintained by the Public Utility, my discussions with the Public Utility's officials and employees, my review of phone records maintained by Verizon, and my conversations with other law enforcement officers, I have learned the following:

a. In or about early November 2017, the Public Utility began an internal investigation into the detection of certain financial irregularities, which led to the discovery of certain records and conduct described herein. In or about October and November 2016, Public Utility investigators interviewed employees who worked on payment processes, including employees of the PCG.

b. On or about November 12, 2016, and November 14, 2016, a phone number registered to "John Farchione" ("Farchione Cellphone-1") had two calls with a phone number

registered to "Louis Bendel" ("Bendel Cellphone-1"). The call on November 12, 2016, lasted approximately two minutes. The call on November 14, 2016, last approximately eight minutes.

c. On or about November 21, 2016, JOHN FARCHIONE, the defendant, was interviewed by Public Utility investigators. During that interview, FARCHIONE initially told investigators that he did not know BENDEL. Upon further questioning, FARCHIONE stated he remembered receiving a call the week before from a payment agent, but that the agent had spoken at length on the call and FARCHIONE did not say anything in response. FARCHIONE further told investigators that he did not specifically recall the payment agent's name.

d. When asked about the above-described transactions and conduct, FARCHIONE stated that he had worked out an arrangement with the payment agent who wrote the 999 Checks--whom he did not identify--in which the agent was going to submit cashier's checks to cover the bounced checks.

e. When asked if FARCHIONE had received the purportedly promised cashier's checks, FARCHIONE stated that he had received two checks in amounts of approximately tens of thousands of dollars, but had shredded them because they were not certified checks.

#### BENDEL Interview

19. Based on my participation in this investigation, my interviews and review of notes of interviews of witnesses, and my conversations with other law enforcement officers, I have learned the following:

a. In or about April 2017, LOUIS BENDEL, the defendant, was interviewed by law enforcement officers.

b. During that interview, BENDEL acknowledged that he had operated a business that included facilitating bill payments for customers, including Public Utility bills, from in or about 1989 through in or about November 2016. He stated that customers would provide him with cash and their bills, and BENDEL wrote checks to pay the bills he aggregated.

c. BENDEL stated that approximately ten years ago, he was in arrears on aggregated bills from the Public Utility due to the bankruptcy of a company he had used to facilitate the payments. BENDEL stated that soon after that incident, JOHN FARCHIONE, the defendant, came to BENDEL's store.

BENDEL stated he did not know how FARCHIONE knew who BENDEL was or where his business was located.

d. According to BENDEL, FARCHIONE explained that he worked at the Public Utility and told BENDEL to give him the cash BENDEL collected from customers for Public Utility bills, and that FARCHIONE would take care of the bills. FARCHIONE further instructed BENDEL to bundle customer bills together with bills owed by BENDEL or BENDEL's family members or associates (the "Bendel Bills").

e. BENDEL stated that FARCHIONE told him to inflate the amounts of the Bendel Bills so that those amounts combined with the Customer Bills totaled slightly less than \$10,000. BENDEL stated that FARCHIONE told him to write one check to the Public Utility for the aggregated amount. BENDEL also stated that FARCHIONE told him to have those checks bounce--i.e., rather than depositing the cash received from the customers whose bills BENDEL was aggregating; accordingly, BENDEL wrote the 999 Checks knowing they would bounce.

f. BENDEL further stated that he wrote "a lot" of checks to the Public Utility and knew each of them would bounce. He stated that FARCHIONE told him to write the checks from multiple accounts to avoid suspicion, and so BENDEL wrote checks to the Public Utility from his personal and business accounts as well as from accounts belonging to his family members and associates. BENDEL stated that he paid the bounced check fees, and further paid some of those individuals \$100 cash per pre-signed blank check provided to him for use in the fraudulent payments.

g. BENDEL stated that he provided most of the customer cash--which his customers believed was being applied to their Public Utility bills--to FARCHIONE, but kept a portion for himself. BENDEL stated that for each 999 Check, he provided FARCHIONE up to approximately \$9,000 in customer cash, and kept approximately \$1,000 for himself. BENDEL stated that FARCHIONE would come to BENDEL's store approximately weekly to pick up the cash from BENDEL.

h. BENDEL stated that after a period of years of this arrangement, he noticed that his Public Utility account had built up a credit. This was due to BENDEL inflating the amounts purportedly paid to that account, among others, to approach the \$10,000 amount per submitted check as directed by FARCHIONE. BENDEL stated that after he realized this, he asked FARCHIONE if it was possible to obtain the accumulated credited



money. BENDEL stated that FARCHIONE said he could get BENDEL a refund check for the account credit amounts.

i. BENDEL recalled that he did not need to call the Public Utility to get the refunds from his account; rather, FARCHIONE hand-delivered several of the refund checks to BENDEL and arranged for the mailing of the others. Similarly, large credits had built up on the accounts of Relative-1 and Relative-2, so FARCHIONE facilitated the transmission of refund checks for those accounts as well, the proceeds of which BENDEL stated he obtained. BENDEL stated that he gave FARCHIONE \$500 for each refund check in exchange for FARCHIONE facilitating the refunds.

j. BENDEL stated that FARCHIONE contacted him in approximately the fall of 2016 because there was a problem with some of the 999 Checks. BENDEL also told investigators that FARCHIONE called him in or about November 2016, and told him to close the business because there was a problem. FARCHIONE did not provide further details regarding the purported problem at the Public Utility. FARCHIONE further told BENDEL that he was retiring from the Public Utility.

k. BENDEL stated that he did not have a similar scheme with any of the other companies for which he made aggregated bill payments.

#### CW-3 Interview

20. Based on my participation in this investigation, my interviews and review of notes of interviews of witnesses, and my conversations with other law enforcement officers, I have learned the following:

a. In or about April 2017, an individual ("CW-3") was interviewed by law enforcement officers.

b. During that interview, CW-3 stated that CW-3 previously had been employed by LOUIS BENDEL, the defendant, at his store, from in or about the 1990s through in or about 2006. CW-3's employment responsibilities working for BENDEL included working as a cashier, making trips to the bank, supervising other employees, and keeping records for BENDEL's bill-paying services.

c. CW-3 stated that while working for BENDEL, CW-3 would collect cash from customers for the bill payment service. CW-3 recalled that BENDEL charged approximately \$0.50 per bill, and that they would bundle customer bills for

institutions including internet and cable companies, phone companies, and utility companies; the bills then would be aggregated into one payment for submission to the relevant company.

d. CW-3 informed law enforcement officers that in or about 2005, prior to the scheme described herein, an aggregated check or checks to the Public Utility bounced unexpectedly. An employee of the Public Utility, identified by CW-3 as JOHN FARCHIONE, the defendant, then visited BENDEL's store to discuss the issue. CW-3 stated that FARCHIONE told BENDEL and CW-3 that FARCHIONE could help make payments for what was owed, and instructed BENDEL and CW-3 to bounce the checks to the Public Utility and provide FARCHIONE with the customers' cash payments. FARCHIONE also told CW-3 and BENDEL to use different accounts for the bounced checks to avoid detection by the Public Utility, and if anyone asked about the checks to say they had been stolen.

e. CW-3 stated that CW-3 subsequently would make trips to FARCHIONE's office at the Public Utility to give FARCHIONE the customer Payment Slips and the aggregated check for the bundled Payment Slips. CW-3 stated that FARCHIONE never provided receipts for the payments, and that CW-3's deliveries to him occurred approximately every one to two weeks in parts of 2005 and 2006.

f. CW-3 stated that initially BENDEL would write the checks to the Public Utility from his business account, but that later he used some of CW-3's checks, all of which bounced. When BENDEL used CW-3's checks, CW-3 stated, BENDEL would reimburse CW-3 for the bounced check fees, but did not otherwise pay CW-3 for the use of CW-3's checks. CW-3 did not recall how many checks CW-3 provided to BENDEL for this use, but believed it was "a lot."

g. CW-3 stated that FARCHIONE regularly came to the store while CW-3 was employed there in or about 2005 and 2006.

#### FARCHIONE's Bank Records

21. From my review of bank records, I have learned that between in or about 2011 and in or about 2016, the period for which records are available, the total monetary amount of deposits into a bank account of JOHN FARCHIONE, the defendant (the "Farchione Account"), significantly exceeded FARCHIONE's salary from the Public Utility. Those deposits included voluminous cash deposits. Similarly, during approximately that

time period, debit card expenditures, ATM withdrawals, and electronic transfer payments associated with the Farchione Account also significantly exceeded FARCHIONE's salary from the Public Utility.

a. For example, from my review of records maintained by the Utility Company, I have learned that in 2015, FARCHIONE's taxable gross income from the Utility Company totaled approximately \$160,542.72, and his net pay, less withheld taxes and deductions, was approximately \$95,596.85.

b. However, in or about 2015, deposits into the Farchione Account totaled approximately \$290,000.

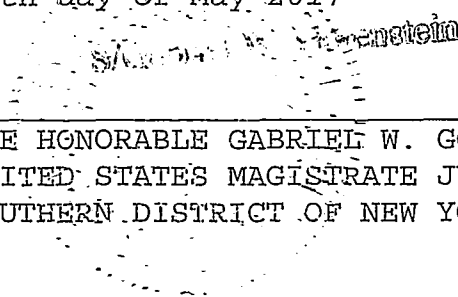
WHEREFORE the deponent prays that JOHN FARCHIONE and LOUIS BENDEL, the defendants, be arrested and imprisoned or bailed, as the case may be.



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MELISSA A. GALICIA  
Special Agent  
Federal Bureau of Investigation

Sworn to before me this  
15th day of May 2017



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THE HONORABLE GABRIEL W. GORENSTEIN  
UNITED STATES MAGISTRATE JUDGE  
SOUTHERN DISTRICT OF NEW YORK